

Financial Status Report

Prepared by the Finance Department

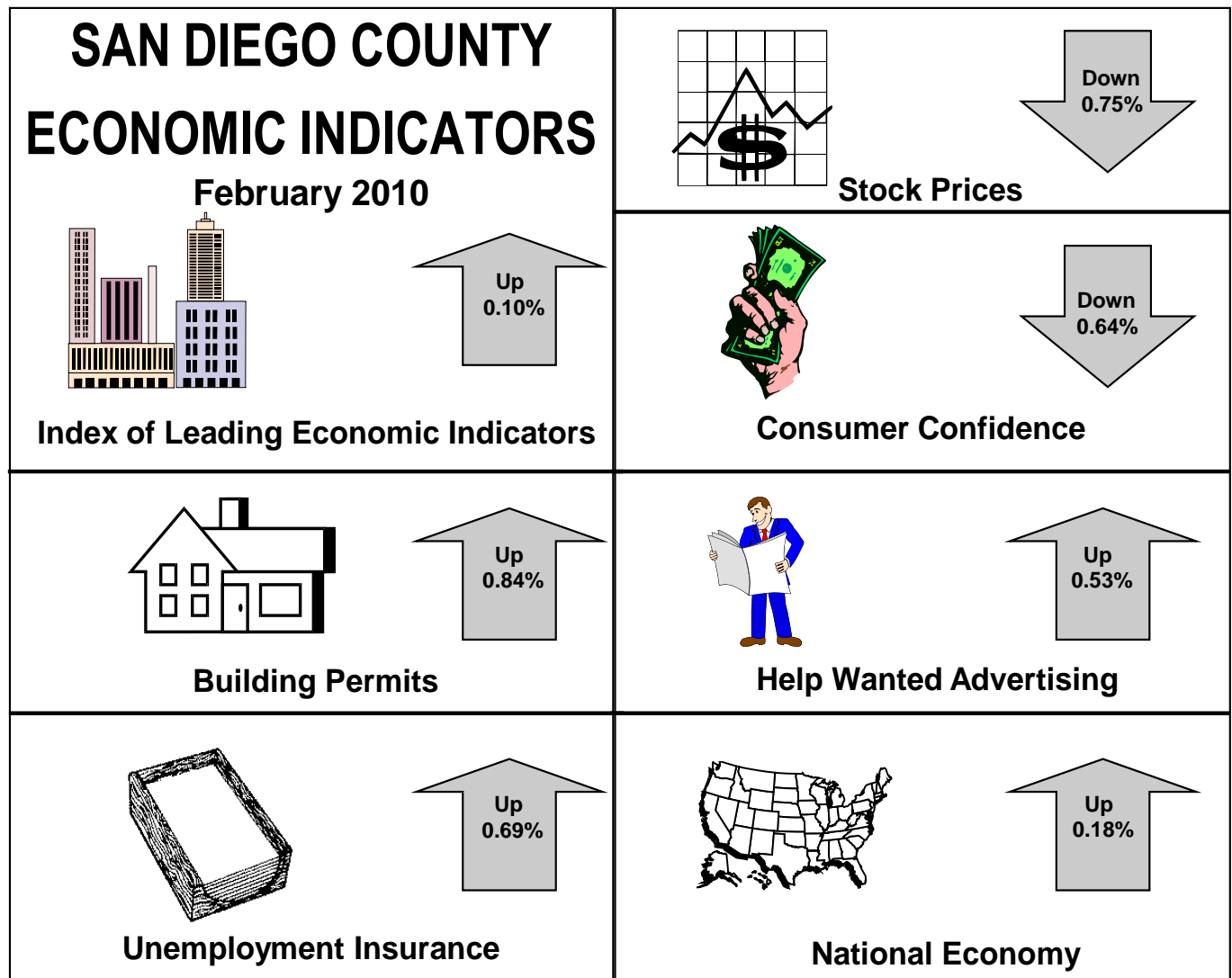


March 31, 2010

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through March 31, 2010. It compares revenues and expenditures for the first nine months of Fiscal Year 2009-10 and Fiscal Year 2008-09. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

San Diego County Economic Indicators



Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, March 25, 2010.

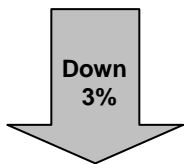
According to the USD Index of Leading Economic Indicators Report:

The University of San Diego's Index of Leading Economic Indicators for San Diego County rose 0.1% in February. The month saw moderate gains in building permits, initial claims for unemployment insurance, and help wanted advertising, as well as a smaller increase in the outlook for the national economy. These outweighed declines in local stock prices and consumer confidence to push the USD Index to its 11th straight monthly increase. February's gain however was the smallest in those eleven months.

After unprecedented volatility for the last couple of years, the USD Index has "settled down," with no major change in any component in either direction for the last two months. The outlook then remains positive but slow growth for the local economy for the year ahead. The growth may be uneven, with occasional setbacks. One potential problem is the budgetary difficulties faced by the state and local governments. Due to requirements to have balanced budgets, state and local governments either have to raise taxes or cut jobs and spending or both, which makes a bad economic situation worse. Other things to keep a watch for are another wave of foreclosures due to the severe job losses in the local economy and weakness in commercial real estate, where a glut of retail and office space is putting pressure on commercial real estate owners and their lenders.

January and February of 2009 were the two worst months ever for residential units authorized by building permits. The first two months of 2010 have not been great by historical standards, but residential units authorized are more than triple what they were the year before. There continues to be good news in terms of the labor market components. The rate of job loss continues to fall as measured by initial claims for unemployment insurance. Unfortunately, something not measured in the index is that filings for extended unemployment benefits through various federal programs remains very high as people have been unemployed for much longer periods than in the past. On the other side of the labor market, help wanted advertising now has a modest four month positive streak, after having fallen for 38 months in a row. This good news has not yet translated into improvements in the employment situation, with the local unemployment rate hitting 11% in January, a new high for this downturn. Local consumer confidence registered its second straight loss in February. After rebounding sharply from an all-time low in March of last year, local consumer confidence has hit a plateau as local consumers wait for better news on the employment front. Local stock prices turned negative as investors remain concerned about the strength of the recovery and the possibility of a "double dip" recession. The national Index of Leading Economic Indicators has mirrored the performance of the local index by also rising for eleven consecutive months. Although the end of the "Great Recession" has not yet been declared, there are signs that the national economy may already be on the rebound. Gross Domestic Product (GDP) grew by a 5.9% annual rate in the 4th quarter of 2009, the strongest quarterly growth since 2003.¹

Top General Fund Revenues

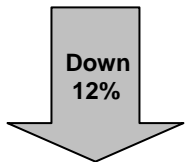


Property Taxes (\$29.4 million) – Property taxes reflect a 3% decrease over Fiscal Year 2008-09. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have decreased by 1% for Fiscal Year 2009-10. This is the first time since 1995 that the City's assessed values have decreased from year to year. This reflects the continuing countywide slow down in property valuation and new construction, as well as an increase in foreclosures. The assessed values in San Diego County have decreased 2.3%. This represents the first time that the countywide assessed value has declined in the past 25 years.

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up Slightly in February*, March 25, 2010.

While the 1% decrease in assessed values for the City reflects the assessed value of all of the taxable property in the City, there are several factors that affect the amount of property taxes received to date:

- Current taxes are down by 1.2%, in line with the decrease in assessed values.
- Aircraft taxes are down by \$171,000 due to one-time revenue received in the prior fiscal year.
- Payments for previous years' taxes are down by \$310,000 (delinquent taxes).
- Supplemental taxes are down by \$193,000 due to the downturn in new home and existing home sales.
- Unitary taxes are down by \$45,000, due to a timing difference.

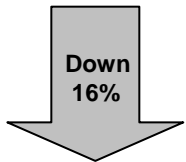


Sales Taxes (\$15.7 million) – For the first nine months of the fiscal year, sales tax revenues are \$2.1 million (or 12%) lower than the same time period in the previous fiscal year. Sales tax revenues to date represent the actual sales tax receipts for the second, third and fourth quarters of the calendar year, as well as the first advance of the City's first calendar quarter of 2010 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The

primary factors in the decrease over the prior fiscal year is the result of a 19.8% drop in sales tax revenues during the second calendar quarter of 2009, a 9.2% drop in sales tax revenues during the third calendar quarter of 2009, a 0.8% drop in sales tax revenues during the fourth calendar quarter of 2009, and the State Board of Equalization lowering the monthly advance for the first calendar quarter of 2010 versus the same quarter last fiscal year by 13%.

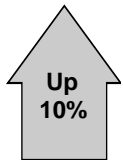
For sales occurring in the fourth calendar quarter of 2009 (the most recent data available), key gains could be seen in new auto sales, apparel stores, office equipment and service stations. During the same period, key declines could be seen in miscellaneous retail, building materials-wholesale, light industry and restaurants. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were down 10.5% for sales occurring in the twelve months ended December 31, 2009 over the same twelve-month period last year.

The largest economic segments in the City continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 65% of the City's sales tax revenues.



Transient Occupancy Tax (\$8.7 million) – Transient Occupancy Taxes (TOT) for the first nine months reflect a decrease of \$1.6 million, 16% less than the previous year. This decrease is due to softness in the tourism market, as almost all the hotels in the City showed a decline in revenue with lower occupancy rates and discounted room rates. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of February 2010.

Currently, there are 3,635 hotel rooms and 822 vacation rentals (timeshares) in the City. The average occupancy of hotel rooms over the most recent twelve months has been 56%, five percentage points below last year's average of 61%.



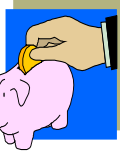
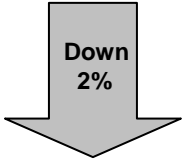
Interdepartmental Charges (\$3.0 million) – Interdepartmental charges are \$280,000, or 10% higher than last year. These charges are generated through engineering services charged to capital projects (up 41%), reimbursed work from other funds (up 100%) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (no change). The City's engineers are spending more

time in the current fiscal year on municipal projects, as reflected in the increase in engineering services revenues.



Business License Tax (\$2.8 million) – Business license revenues are up \$77,000 compared to Fiscal Year 2009. This increase is the result of a previously unlicensed business paying back taxes and penalties. In addition, there is a timing difference; with one of the City's larger businesses paying its taxes earlier this year than the prior year.

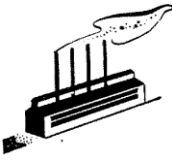
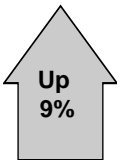
There are currently 8,741 licensed businesses operating within the City, 233 more than last year's 8,508. The majority of taxed businesses (6,082 businesses) are located in Carlsbad, with 2,631 of these businesses home-based.



Income from Investments and Property (\$2.7 million) – For the first nine months of the fiscal year, income from investments and property is down \$69,000 compared to the previous fiscal year.

Interest income is down for the year due to the net effects of an 8% increase in the average daily cash balance combined with a 33.4% decrease (a drop in the yield from 3.90% last fiscal year to 2.6% in the current fiscal year) in the average yield on the portfolio for the first nine months of the fiscal year. In addition, during July 2009, the Village Project Area of the Redevelopment Agency paid back \$500,000 in interest on their advance from the General Fund. This did not occur in the prior fiscal year.

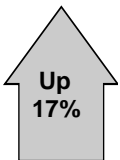
In July 2009, the General Fund sold to the Village Project Area of the Redevelopment Agency two parcels; property and a building on State Street and property and a building on Oak Street, for property redevelopment, area revitalization, blight elimination and economic development. The gross proceeds from this sale were \$4.36 million, with the City advancing the Redevelopment Agency \$1.86 million to complete the transaction. This one-time revenue is not currently reflected in the figures presented here, but will be incorporated in the final financial statements for the fiscal year.



Franchise Taxes (\$2.1 million) – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within City limits. Year-to-date franchise fees are up \$168,000 over the same period last year due primarily to a 13% increase in cable television franchise fees (AT&T and Time Warner) and a timing difference

in the payment of NextG's (fiber optic antenna franchisee) fees, partially offset by a 6% decrease in Waste Management franchise fees. The decrease in Waste Management franchise fees are primarily due to a decreased demand for roll off dumpsters due to the downturn in the construction industry.

Approximately 44% of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2010.



Ambulance Fees (\$1.8 million) – The City bills any individual who is transported in one of the City's ambulances. Through March 2010, receipts from ambulance fees are up 17% or \$267,000 higher than last fiscal year at this time. The number of billable transported patients in the first nine months of Fiscal Year 2009-10 (3,292) versus Fiscal Year 2008-09 (2,900) has increased, coupled with a rate increase that

went into effect on August 1, 2009, have led to the higher revenues for the year.



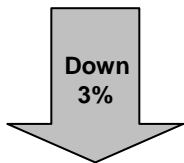
Development-Related Revenues (\$1.7 million) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect an increase for the year. Although development-related revenues were down in Fiscal Year 2008-09 by 50% from Fiscal Year 2007-08, activity over the past couple of months has shown an upturn in residential development. We are projecting that

development-related revenues will remain strong for the rest of the fiscal year, and continue to show an increase for the 2009-10 Fiscal Year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development-related revenue sources thus far in the year is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in March included renovations at Carlsbad High School, residential development at La Costa Greens and on Eucalyptus Lane, and the Legoland expansion.

Another source of development-related revenue is building permits, which are up 61% as compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction and an increase in the number of residential and commercial/industrial building permits issued. The year-to-date valuation of new construction in the current fiscal year is just under \$116.7 million, while it was just over \$78.5 million in the previous fiscal year, a 32.7% increase. The pace of construction increased during the month of March with builders pulling permits for 42 units. In the Northeast Quadrant, eight permits were issued for single-family residences in the Alcea neighborhood located in Robertson Ranch. In the Southeast Quadrant, 18 permits were issued as part of the Dolcetto neighborhood in La Costa Greens; and 12 permits were issued for single-family homes located in the Veridian neighborhood in La Costa Greens. In the Northwest Quadrant, four permits were issued for single-family homes and second dwelling units. For the first nine months of the fiscal year, 236 residential permits were issued, as compared to 68 permits issued during the same period last year.

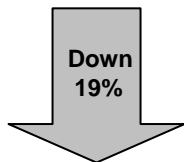
No permits were issued in the City for new industrial, commercial or office space in March. Year-to-date there has been a combined 98,899 square feet in commercial/industrial permits issued, as compared to 219,984 square feet at this time in Fiscal Year 2009.



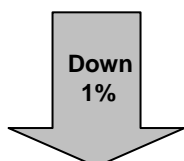
Recreation Fees (\$1.3 million) – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$42,000 lower than the previous fiscal year. The largest factors in this year's decrease are lower participation in aquatic lessons, fewer instructional classes offered, the elimination of premium excursions (day camps), and the contracting out of senior trips. These decreases were partially offset by additional participation in adult sports, the triathlon and the preschool program.



Other Revenue Sources (\$846,000) – Other revenue sources have increased by \$247,000 and include revenues received by the City to offset the costs of special studies or projects for developers; reimbursements for damage done to City streets, right-of-ways, and other City-owned property; donations; and refunds of prior year fees. This year's revenues reflect an increase in developer funded studies and reimbursements received for the administration of developer deposits.

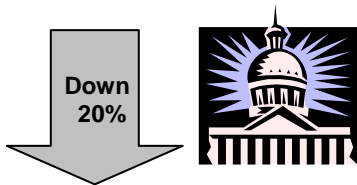


Fines and Forfeitures (\$808,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. A decrease in moving violation and miscellaneous vehicle fine revenues has led to the overall decrease in fines and forfeitures.



Other Charges or Fees (\$791,000) – Other charges and fees are generated through the sale of City documents such as agenda bills, blueprints and copies, general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs, audio/visual rental fees, and general services such as mutual aid response, mall police services, emergency response services, reports, etc. The largest factor contributing to the year-to-

date decrease is a reduction in mutual aid response revenues received in the current fiscal year.



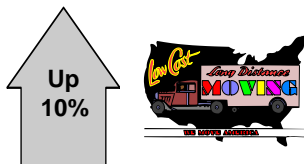
Other Intergovernmental Revenues (\$682,000) – Other intergovernmental revenues include miscellaneous receipts received from the State or Federal governments, as well as local school districts. Included in the \$682,000 received this year are state library grants, senior nutrition grant funds, reimbursements for Peace Officer Standards and Training (POST) expenses, State mandated costs reimbursements, state and federal disaster preparedness funds, a habitat restoration grant, and law enforcement assistance. A major factor in this year's decrease was the assistance the City received from FHWA last fiscal year (\$75,000) and a reduction in PLF library funding and reimbursements from school districts.



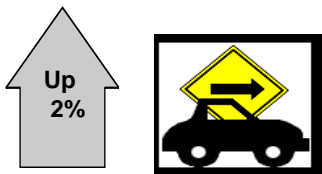
Transfers In (\$600,000) – Transfers in represent funds transferred from funds outside of the General Fund to the General Fund, to reimburse the fund for expenses incurred on behalf of other funds. The \$600,000 to date represents a budgeted transfer in from the General Capital Construction Fund to assist in the funding of the Traffic Signal Maintenance Program.

Additional General Fund Revenues

Although the top General Fund revenues represent approximately 98% of all General Fund revenues, the City has other revenue sources, although much smaller in scale. Each month this report highlights a couple of other revenue sources to provide some insight as to how these revenues are derived and how they are performing in the current fiscal year.



Transfer Taxes (\$416,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. A recent upturn in home resales has led to the increase in transfer taxes.



Vehicle License Fees (\$194,000) – Vehicle License Fees (VLF) have increased by \$3,000 over 2008-09 figures. VLF revenues are allocated to the various jurisdictions throughout the State on a prorated basis, based on population. VLF collected through March 2009 represents transactions occurring through February 2009.

VLF are collected by the Department of Motor Vehicles and disbursed by the State Controller to the City. The State taxes motor vehicles in lieu of local property taxes. Registered vehicles include automobiles, trucks, trailers, and motorcycles.

Expenditures

Total General Fund expenditures and encumbrances through the month of March 2010 are \$89.5 million, compared to \$88.7 million at the same time last year. This leaves \$47.4 million, or 34.6%, available through the fiscal year-end on June 30, 2010. If funds were spent in the same proportion as the previous year, the General Fund would have 35.8% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at March 31, 2010 is 31.5%, slightly less than the 32.8% available at March 31, 2009. Due to the continuation of the "expenditure savings plan" approved by the Council last fiscal year and additional appropriation reductions approved in the 2009-10 Operating Budget, the total budget for the General Fund has decreased from \$138.2 million last fiscal year at this time to \$136.9 million in the current fiscal year. This has affected the percentage of appropriations available at this time in the 2009-10 Fiscal Year compared to the same time frame in the 2008-09 Fiscal Year.

The City Council has allocated \$500,000 out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of March 31, 2010, \$39,669 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS

EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$500,000		
USES:			
"In Kind" Service Assistance for the 2009 Carlsbad High School Homecoming Parade	(3,350)	07/14/2009	2009-186
Art Splash Assistance	(33,146)	08/11/2009	2009-207
"In Kind" Service Assistance for the 2009 Carlsbad Christmas Bureau	(2,199)	09/20/2009	2009-266
"In Kind" Service Assistance for the Law Enforcement Special Olympics Torch Run	(974)	03/02/2010	2010-040
TOTAL USES	<u>(39,669)</u>		
AVAILABLE BALANCE	<u><u>\$460,331</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 03/31/10	ACTUAL FY 2009 AS OF 03/31/09	ACTUAL FY 2010 AS OF 03/31/10	CHANGE FROM YTD 2009 TO YTD 2010	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$29,615,074	\$30,467,920	\$29,423,992	(\$1,043,928)	-3%
SALES TAX	16,157,659	17,835,636	15,700,602	(2,135,034)	-12%
TRANSIENT TAX	9,362,009	10,277,033	8,683,496	(1,593,537)	-16%
FRANCHISE TAX	1,730,964	1,904,708	2,072,352	167,644	9%
BUSINESS LICENSE TAX	2,643,280	2,722,535	2,799,608	77,073	3%
TRANSFER TAX	304,175	378,048	416,289	38,241	10%
TOTAL TAXES	59,813,161	63,585,880	59,096,339	(4,489,541)	-7%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	162,293	191,184	194,260	3,076	2%
HOMEOWNERS EXEMPTIONS	188,001	187,827	188,080	253	0%
OTHER	883,024	848,426	681,802	(166,624)	-20%
TOTAL INTERGOVERNMENTAL	1,233,317	1,227,437	1,064,142	(163,295)	-13%
LICENSES AND PERMITS					
BUILDING PERMITS	353,656	328,266	527,572	199,306	61%
OTHER LICENSES & PERMITS	466,341	467,110	554,770	87,660	19%
TOTAL LICENSES & PERMITS	819,997	795,376	1,082,342	286,966	36%
CHARGES FOR SERVICES					
PLANNING FEES	346,583	341,435	289,725	(51,710)	-15%
BUILDING DEPARTMENT FEES	335,315	282,209	397,029	114,820	41%
ENGINEERING FEES	382,865	385,785	470,467	84,682	22%
AMBULANCE FEES	1,814,157	1,538,717	1,805,604	266,887	17%
RECREATION FEES	1,309,103	1,389,251	1,347,632	(41,619)	-3%
OTHER CHARGES OR FEES	730,645	802,550	790,802	(11,748)	-1%
TOTAL CHARGES FOR SERVICES	4,918,667	4,739,947	5,101,259	361,312	8%
FINES AND FORFEITURES	841,747	1,000,982	808,223	(192,759)	-19%
INCOME FROM INVESTMENTS & PROPERTY	2,272,036	2,772,855	2,704,265	(68,590)	-2%
INTERDEPARTMENTAL CHARGES	2,768,487	2,695,065	2,974,931	279,866	10%
OTHER REVENUE SOURCES	633,088	599,300	846,487	247,187	41%
TRANSFERS IN	600,000	27,485	600,000	572,515	100%
TOTAL GENERAL FUND	\$73,900,500	77,444,327	\$74,277,988	(\$3,166,339)	-4%

(1)

(1) Calculated General Fund revenues are 0.5% above estimates as of March 31, 2010.

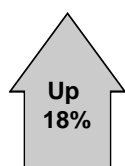
GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPT	DESCRIPTION	TOTAL	AS OF 03/31/10		
		BUDGET FY 2009-10	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$417,588	\$243,157	\$174,431	41.8%
	CITY MANAGER	2,884,334	1,801,489	1,082,845	37.5%
	COMMUNICATIONS	1,209,051	853,659	355,392	29.4%
	CITY CLERK	150,949	92,184	58,765	38.9%
	CITY ATTORNEY	1,371,617	930,414	441,203	32.2%
	CITY TREASURER	208,324	138,968	69,356	33.3%
	TOTAL POLICY/LEADERSHIP	6,241,863	4,059,871	2,181,992	35.0%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	672,638	456,631	216,007	32.1%
	ENVIRONMENTAL RESOURCES MGMT.	53,007	641	52,366	98.8%
	FINANCE	3,478,906	2,251,344	1,227,562	35.3%
	HUMAN RESOURCES	2,538,376	1,714,285	824,091	32.5%
	RECORDS MANAGEMENT	943,060	570,647	372,413	39.5%
	GEOGRAPHIC INFORMATION	591,557	379,037	212,520	35.9%
	TOTAL ADMINISTRATIVE SERVICES	8,277,544	5,372,585	2,904,959	35.1%
PUBLIC SAFETY					
	POLICE	27,995,610	20,031,518	7,964,092	28.4%
	FIRE	17,798,292	12,776,121	5,022,171	28.2%
	TOTAL PUBLIC SAFETY	45,793,902	32,807,639	12,986,263	28.4%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	2,971,053	2,168,303	802,750	27.0%
	HIRING CENTER (c)	88,203	84,090	4,113	4.7%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	175,716	112,287	63,429	36.1%
	PLANNING	5,453,898	3,848,819	1,605,079	29.4%
	BUILDING	2,160,533	1,450,553	709,980	32.9%
	TOTAL COMMUNITY DEVELOPMENT	10,849,403	7,664,052	3,185,351	29.4%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,222,684	3,700,601	2,522,083	40.5%
	PARKS	6,076,159	4,340,043	1,736,116	28.6%
	SENIOR PROGRAMS	1,014,305	721,102	293,203	28.9%
	LIBRARY	10,262,575	6,688,295	3,574,280	34.8%
	CULTURAL ARTS	871,357	593,188	278,169	31.9%
	TOTAL COMMUNITY SERVICES	24,447,080	16,043,229	8,403,851	34.4%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,031,281	726,365	304,916	29.6%
	ENGINEERING	10,082,534	6,212,093	3,870,441	38.4%
	STREETS & TRAFFIC SIGNALS	4,469,997	3,051,878	1,418,119	31.7%
	FACILITIES	4,921,267	3,620,707	1,300,560	26.4%
	TOTAL PUBLIC WORKS	20,505,079	13,611,043	6,894,036	33.6%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	10,817,019	588,299	10,228,720	94.6%
	TRANSFERS OUT	9,555,000	9,378,000	177,000	1.9%
	CONTINGENCY	460,331	0	460,331	100.0%
	TOTAL NON-DEPT & CONTINGENCY	20,832,350	9,966,299	10,866,051	52.2%
TOTAL GENERAL FUND		\$136,947,221	\$89,524,718	\$47,422,503	34.6%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.					
(b) Total committed includes expenditures and encumbrances.					
(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.					
* Amount available would be 35.8% if funds were spent in the same proportion as the previous year.					

Water Enterprise

WATER OPERATIONS FUND					
MARCH 31, 2010					
	BUDGET	YTD (*)	YTD (*)	CHANGE FROM	PERCENT
	FY 2009-10	03/31/09	03/31/10	YTD 2008-09 TO YTD 2009-10	CHANGE
REVENUES					
WATER DELIVERY	31,591,550	14,798,468	17,883,612	3,085,144	20.8%
MISC. SERVICE CHARGES	216,000	180,189	199,964	19,775	11.0%
PROPERTY TAXES	2,995,000	1,728,150	1,667,571	(60,579)	-3.5%
FINES, FORFEITURES & PENALTIES	262,000	199,753	198,738	(1,015)	-0.5%
OTHER REVENUES	414,000	245,524	345,575	100,051	40.7%
TOTAL OPERATING REVENUE	35,478,550	17,152,084	20,295,460	3,143,376	18.3%
EXPENSES					
STAFFING	2,933,921	2,133,945	2,087,458	(46,487)	-2.2%
INTERDEPARTMENTAL SERVICES	2,673,789	1,748,119	1,948,278	200,159	11.4%
PURCHASED WATER	19,222,757	9,324,340	10,433,192	1,108,852	11.9%
MWD/CWA FIXED CHARGES	3,720,188	2,238,536	2,558,580	320,044	14.3%
OUTSIDE SERVICES/MAINTENANCE	1,347,432	307,822	384,495	76,673	24.9%
DEPRECIATION/REPLACEMENT	3,593,000	2,514,736	2,694,750	180,014	7.2%
CAPITAL OUTLAY	181,369	18,545	166,524	147,979	797.9%
MISCELLANEOUS EXPENSES	1,689,366	503,668	899,694	396,026	78.6%
TOTAL OPERATING EXPENSES	35,361,822	18,789,711	21,172,971	2,383,260	12.7%
OPERATING INCOME/(LOSS)	116,728	(1,637,627)	(877,511)	760,116	46.4%

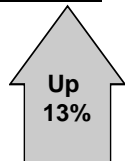
(*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues



- The increase in water delivery revenues is the net result of a combination of a 14.4% decrease in the number of water units sold and an average 15.5% increase in water rates charged to our customers (water sales and delivery charges) that went into effect in August 2009. In addition, the CMWD implemented a new tiered rate structure in August 2009 increasing water bills for high-end users.
- An increase in new account setup fees and same day turn on fees is reflected in the increase in miscellaneous service charges.
- An increase in San Diego County Water Authority (SDCWA) credits, the sale of scrap and recycled items, and an increase in the installation of some larger meters has led to additional other revenues.

Expenses



- A reduction in temporary labor has led to lower staffing costs.
- Although the amount of purchased water has decreased by 13%, a 17% rate increase from the SDCWA more than offset these savings.
- The water authorities, from which the Enterprise purchases its water, have raised their fixed charges by 14.3% from a year ago.
- The repair of two water main breaks and a joint repair account for the higher outside services and maintenance.
- The purchase of valve maintenance equipment, utility vacuums, a solar powered GPRS system, new software and a new truck is reflected in the capital outlay expenses for the year.
- The replacement of old meters with new automated meters is reflected in the higher miscellaneous expenses.

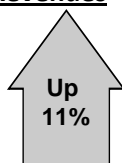
Outlook

Currently, the operating results for the Enterprise reflect a year-to-date deficit of \$877,511. Based on activity to date, it is projected that the Enterprise will see a small surplus by the end of the fiscal year as water sales should begin to increase as the rainy season ends.

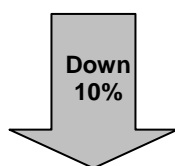
Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
MARCH 31, 2010					
	BUDGET FY 2009-10	YTD (*) 3/31/2009	YTD (*) 3/31/2010	CHANGE FROM YTD 2008-09 TO YTD 2009-10	PERCENT CHANGE
REVENUES					
CHARGES FOR CURRENT SERVICES	9,986,534	6,218,104	6,992,561	774,457	12.5%
INTEREST	101,000	65,549	50,360	(15,189)	-23.2%
OTHER REVENUES	100,000	151,878	98,155	(53,723)	-35.4%
TOTAL OPERATING REVENUE	10,187,534	6,435,531	7,141,076	705,545	11.0%
EXPENSES					
STAFFING	1,858,182	1,085,408	1,145,743	60,335	5.6%
INTERDEPARTMENTAL SERVICES	1,376,897	842,731	950,449	107,718	12.8%
ENCINA PLANT SERVICES	3,012,448	2,415,413	2,302,382	(113,031)	-4.7%
OUTSIDE SERVICES/MAINTENANCE	453,132	202,880	189,930	(12,950)	-6.4%
DEPRECIATION/REPLACEMENT	3,200,000	2,677,163	2,400,000	(277,163)	-10.4%
CAPITAL OUTLAY	18,845	478,120	20,795	(457,325)	-95.7%
MISCELLANEOUS EXPENSES	423,746	401,436	295,868	(105,568)	-26.3%
TOTAL OPERATING EXPENSES	10,343,250	8,103,151	7,305,167	(797,984)	-9.8%
OPERATING INCOME/LOSS	(155,716)	(1,667,620)	(164,091)	1,503,529	90.2%

(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues

- The increase in charges for current services is primarily the result of an additional 1,961 new residential account fees over the past twelve months, as well as a 9% rate increase that went into effect in August 2009.
- Interest revenues have decreased due to the combination of a 95% decrease in the average cash balance for the year and a 33.4% decrease in the yield on the Treasurer's portfolio.
- Prior year receipt of the Enterprise's share of miscellaneous Encina revenues impacted prior year other revenues.

Expenses

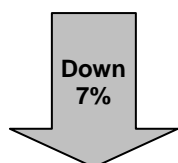
- Increased staffing costs are the result of hiring temporary and part-time staff to assist with sewer cleaning per the Enterprise's work plan, as well as the hiring of additional staff approved in the 2008-09 Budget to implement the Waste Discharge Requirement.
- Additional prior year Encina expenses due to the transition to a new administration building have created this year's variance.
- In previous fiscal years, in addition to transferring to the Wastewater Replacement Fund the annual depreciation charges, an additional \$740,000 was also transferred to fund anticipated future replacement costs. This additional amount will not be transferred to the Wastewater Replacement Fund in the current fiscal year due to a sufficient cash balance in the Replacement Fund.
- The replacement of a Vactor truck and the purchase of a video inspection van and generator in the previous fiscal year account for the reduction in capital outlay expenses.
- A one-time fine in the prior fiscal year for the Buena Vista Lagoon wastewater spill accounts for the large decrease in miscellaneous expenses.

Outlook

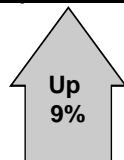
Currently, the operating results for the Enterprise reflect a year-to-date loss of \$164,091. Based on activity to date, it is projected that the Enterprise will end the year with an operating deficit between \$100,000 and \$200,000. There is a sufficient retained earnings balance to cover this projected deficit.

Redevelopment Agency

CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS MARCH 31, 2010					
	BUDGET FY 2009-10	YTD 03/31/2009	YTD 03/31/2010	CHANGE FROM YTD 2008-09 TO YTD 2009-10	PERCENT CHANGE
REVENUES					
PROPERTY TAXES	2,642,700	1,697,769	1,666,668	(31,101)	-1.8%
INTEREST	30,000	96,993	33,486	(63,507)	-65.5%
OTHER REVENUES	0	51,139	15,178	(35,961)	-70.3%
TOTAL OPERATING REVENUE	2,672,700	1,845,901	1,715,332	(130,569)	-7.1%
EXPENDITURES					
STAFFING	176,298	136,595	123,307	(13,288)	-9.7%
INTERDEPARTMENTAL SERVICES	77,622	83,662	58,217	(25,445)	-30.4%
RENTALS & LEASES	74,600	86,297	51,238	(35,059)	-40.6%
DEBT EXPENSE	1,045,340	1,045,397	1,045,328	(69)	0.0%
CAPITAL OUTLAY	500,000	12,389	54,072	41,683	336.5%
OUTSIDE SERVICES, MAINT & MISC	479,687	31,839	193,542	161,703	507.9%
TOTAL OPERATING EXPENDITURES	2,353,547	1,396,179	1,525,704	129,525	9.3%
TOTAL OPERATING REVENUES OVER EXP.	319,153	449,722	189,628	(260,094)	-57.8%
PROPERTY ACQUISITION	4,360,000	0	4,360,000	4,360,000	100.0%
TOTAL OPERATING REVENUES OVER EXPENDITURES	(4,040,847)	449,722	(4,170,372)	(4,620,094)	-1027.3%

Revenues

- According to the San Diego County Assessor, assessed values in the Village Project Area have increased by 1.21% in Fiscal Year 2009-10. A reduction in delinquent, supplemental and unitary taxes, as well as a timing difference, account for the decrease to date.
- Interest revenues have decreased due to the combination of a 39% decrease in the average cash balance for the year and a 33.4% decrease in the yield on the Treasurer's portfolio.
- A decrease in rental revenue from the cancellation of the Sowing Sisters lease has impacted other revenues.

Expenditures

- Changes in the allocation of staff salaries and a reduction in part-time employees have led to decreased staffing expenditures for the year.
- Lower interdepartmental charges are the result of decreased information technology charges.
- The Agency discontinued a parking lot lease during the prior fiscal year as reflected in the reduction in rental and lease expenditures.
- All debt service payments have been made for the year.
- The capital outlay expenditures are for additional street lights in the Village.
- The costs associated with concrete repairs and the retrofitting of street lights to be more energy efficient, additional signage, and storefront improvement grants are reflected in the higher outside services, maintenance and miscellaneous expenditures.

Outlook

Depending on the delinquency rate for property tax collections, it is anticipated that the Agency will end the year with operating revenues over operating expenditures between \$200,000 and \$400,000.